

**Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital**

**A Component Unit of the City of
Lindsay, Oklahoma**

**Independent Auditor's Reports
and Financial Statements**

June 30, 2022



**Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital
A Component Unit of the City of Lindsay, Oklahoma
June 30, 2022**

Contents

Independent Auditor's Report	1
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Financial Statements

Balance Sheet	4
Statement of Revenues, Expenses, and Changes in Net Position.....	5
Statement of Cash Flows	6
Notes to Financial Statements	7

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor's Report	19
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Schedule of Findings and Responses	21
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Independent Auditor's Report

Board of Trustees
Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital
Lindsay, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lindsay Municipal Hospital Authority d/b/a Lindsay Municipal Hospital (the Authority), a component unit of the City of Lindsay, Oklahoma, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2022 and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, on July 1, 2021, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

FORVIS, LLP

Tulsa, Oklahoma
March 30, 2023

Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital
A Component Unit of the City of Lindsay, Oklahoma
Balance Sheet
June 30, 2022

Assets

Current Assets

Cash	\$ 5,455,466
Short-term investments	1,856,309
Patient accounts receivable, net of allowance – \$359,000	1,797,439
Supplies and prepaid expenses	638,437
Estimated amounts due from third-party payors	18,000
Other	<u>40,137</u>

Total current assets	9,805,788
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Capital Assets, Net	3,788,652
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Lease Assets, Net	<u>430,260</u>
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Total assets	<u><u>\$ 14,024,700</u></u>
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Liabilities and Net Position

Current Liabilities

Current portion of lease liabilities	\$ 185,041
Accounts payable	568,283
Accrued expenses	606,746
Unearned government grants	<u>734,553</u>

Total current liabilities	2,094,623
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Other Liabilities

Lease liabilities	<u>268,977</u>
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Total liabilities	<u>2,363,600</u>
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Net Position

Net investment in capital assets	3,764,894
Unrestricted	<u>7,896,206</u>

Total net position	<u>11,661,100</u>
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Total liabilities and net position	<u><u>\$ 14,024,700</u></u>
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Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital
A Component Unit of the City of Lindsay, Oklahoma
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2022

Operating Revenues

Net patient service revenue, net of provision for uncollectible accounts – \$350,878	\$ 16,236,094
Other	28,957
	<u>16,265,051</u>
Total operating revenues	<u>16,265,051</u>

Operating Expenses

Salaries and wages	8,718,707
Employee benefits	1,741,557
Purchased services and professional fees	2,405,889
Supplies and other	3,145,279
Depreciation and amortization	468,022
	<u>16,479,454</u>
Total operating expenses	<u>16,479,454</u>

Operating Loss (214,403)

Nonoperating Revenues (Expenses)

Interest income	16,069
Interest expense	(26,005)
Noncapital grants and gifts	204,263
	<u>194,327</u>
Total nonoperating revenues (expenses)	<u>194,327</u>

Decrease in Net Position (20,076)

Net Position, Beginning of Year, as Restated 11,681,176

Net Position, End of Year \$ 11,661,100

Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital
A Component Unit of the City of Lindsay, Oklahoma
Statement of Cash Flows
Year Ended June 30, 2022

Cash Flows from Operating Activities	
Receipts from and on behalf of patients	\$ 15,883,537
Payments to suppliers and contractors	(5,560,972)
Payments to employees	(10,705,654)
Other receipts, net	<u>31,348</u>
Net cash used in operating activities	<u>(351,741)</u>
Cash Flows from Noncapital Financing Activities	
Government grants	<u>386,251</u>
Net cash provided by noncapital financing activities	<u>386,251</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on leases payable	(172,202)
Interest paid on leases payable	(26,005)
Purchase of capital assets	(1,150,138)
Proceeds from sale of capital assets	<u>8,369</u>
Net cash used in capital and related financing activities	<u>(1,339,976)</u>
Cash Flows from Investing Activities	
Interest on investments	<u>9,032</u>
Net cash provided by investing activities	<u>9,032</u>
Decrease in Cash	(1,296,434)
Cash, Beginning of Year	<u>6,751,900</u>
Cash, End of Year	<u><u>\$ 5,455,466</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (214,403)
Depreciation and amortization	468,022
Provision for uncollectible accounts	350,878
Changes in operating assets and liabilities	
Patient accounts receivable, net	(752,435)
Estimated amounts due from third-party payors	49,000
Accounts payable and accrued expenses	(30,080)
Supplies and prepaid expenses	<u>(222,723)</u>
Net cash used in operating activities	<u><u>\$ (351,741)</u></u>
Supplemental Cash Flows Information	
Lease obligation incurred for lease assets	\$ 184,837
Capital assets acquisitions included in accounts payable	\$ 131,096

**Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital
A Component Unit of the City of Lindsay, Oklahoma
Notes to Financial Statements
June 30, 2022**

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Lindsay Municipal Hospital Authority d/b/a Lindsay Municipal Hospital (the Authority) operates an acute care hospital, Lindsay Municipal Hospital (the Hospital), under a lease with the City of Lindsay, Oklahoma (the City). The Authority is a component unit of the City, and the city council appoints members to the Board of Trustees of the Authority. The Authority primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in central Oklahoma and to the Oklahoma Department of Corrections (ODOC).

Basis of Accounting and Presentation

The accompanying financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program-specific are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2022, there were no cash equivalents.

Patient Accounts Receivable

The Authority reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients, and others. The Authority provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions.

Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital
A Component Unit of the City of Lindsay, Oklahoma
Notes to Financial Statements
June 30, 2022

Investments and Investment Income

Investments in non-negotiable certificates of deposit are carried at amortized cost. Investment income includes interest income.

Supplies

Supply inventories are stated at the lower of cost or market. Costs are determined using the first-in, first-out (FIFO) method.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Authority:

Land improvements	8–15 years
Buildings and improvements	10–30 years
Equipment	3–20 years

The Authority has committed construction contracts in process for a storage facility and other projects. The remainder committed under the contracts at June 30, 2022 is approximately \$306,000.

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Capital and Lease Asset Impairment

The Authority evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or amortization is increased by the amount of the impairment loss.

No asset impairment was recognized during the year ended June 30, 2022.

Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital
A Component Unit of the City of Lindsay, Oklahoma
Notes to Financial Statements
June 30, 2022

Compensated Absences

Authority policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date.

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Net Position

Net position of the Authority is classified in two components:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, plus lease assets, net of accumulated amortization and reduced by the outstanding balances of borrowings and leases used to finance the purchase or construction of those assets.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital
A Component Unit of the City of Lindsay, Oklahoma
Notes to Financial Statements
June 30, 2022

Charity Care

The Authority provides charity care to patients who are unable to pay for services. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

Income Taxes

As an essential government function of the City, the Authority is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Authority is subject to federal income tax on any unrelated business taxable income.

Change in Accounting Principle

On July 1, 2021, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, using a retrospective method of adoption to all leases in place and not yet completed at the beginning of the earliest period presented. GASB 87 requires lessees to recognize a lease liability, measured at the present value of payments expected to be made during the lease term, and an intangible right-to-use lease asset. Lessors recognize a lease receivable and corresponding deferred inflow of resources. Interest income associated with the receivable is recognized using the effective interest method.

The Authority's adoption of GASB 87 impacted previously reported net position by \$3,384.

Note 2: Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. The payment arrangements include:

- **Oklahoma Department of Corrections** – Inpatient and outpatient services rendered to ODOC's patients are reimbursed under a cost-based reimbursement methodology (see Note 9). The Authority is reimbursed for certain services at tentative rates with settlements based on quarterly filings.
- **Medicare** – Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Authority is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare administrative contractor.
- **Medicaid** – Services provided to the state's Medicaid beneficiaries are reimbursed at prospectively determined rates with no retroactive adjustments. These payment rates vary

Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital
A Component Unit of the City of Lindsay, Oklahoma
Notes to Financial Statements
June 30, 2022

according to a patient classification system that is based on clinical, diagnostic, and other factors.

Approximately 91% of net patient service revenue is from patients covered under agreements with ODOC for the year ended June 30, 2022. Less than 10% of net patient service revenue is from participation in the Medicare program for the year ended June 30, 2022. The state-sponsored Medicaid program reimburses the Authority for services provided to Medicaid-eligible patients covered by the contracts with ODOC. This Medicaid reimbursement is deducted from the payments due to the Authority under the ODOC contracts discussed in *Note 9*. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Authority has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Authority under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Note 3: Deposits

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The Authority does not have a formal policy to address custodial credit risk. State law requires that all deposits of public trusts be insured with federal depository insurance or other acceptable collateral in specific amounts.

At June 30, 2022, approximately \$6,357,000 of the Authority's bank balances of \$7,356,884 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 4,543,000
Uninsured and collateral held by pledging financial institution	1,615,000
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Authority's name	<u>199,000</u>
	<u><u>\$ 6,357,000</u></u>

Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital
A Component Unit of the City of Lindsay, Oklahoma
Notes to Financial Statements
June 30, 2022

Summary of Carrying Values

The carrying values of deposits shown above are included in the accompanying balance sheet as follows:

Carrying value	
Deposits	\$ 7,309,075
Cash on hand	<u>2,700</u>
	<u><u>\$ 7,311,775</u></u>
Included in the following balance sheet captions	
Cash	\$ 5,455,466
Short-term investments	<u>1,856,309</u>
	<u><u>\$ 7,311,775</u></u>

At June 30, 2022, short-term investments consisted of certificates of deposit. Investment income of \$16,069, for the year ended June 30, 2022, consisted of interest income.

Note 4: Patient Accounts Receivable

The Authority grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements, and to ODOC for services rendered to patients covered under agreements with the Authority.

Patient accounts receivable at June 30, 2022 consisted of:

Medicare	\$ 78,077
Medicaid	16,973
Other third-party payors	129,255
Oklahoma Department of Corrections	1,327,261
Patients	<u>604,873</u>
	2,156,439
Less allowance for uncollectible accounts	<u>359,000</u>
	<u><u>\$ 1,797,439</u></u>

Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital
A Component Unit of the City of Lindsay, Oklahoma
Notes to Financial Statements
June 30, 2022

Note 5: Capital and Lease Assets

Capital assets activity for the year ended June 30, 2022 was:

	Beginning Balance (As Restated)	Additions	Disposals	Transfers	Ending Balance
Land	\$ 14,164	\$ 7,400	\$ -	\$ -	\$ 21,564
Land improvements	34,266	25,300	-	-	59,566
Buildings and improvements	3,265,339	15,000	-	931,916	4,212,255
Equipment	3,648,419	20,918	(166,268)	34,311	3,537,380
Construction in progress	506,776	1,212,616	(8,070)	(966,227)	745,095
	<u>7,468,964</u>	<u>1,281,234</u>	<u>(174,338)</u>	<u>-</u>	<u>8,575,860</u>
Less accumulated depreciation					
Land improvements	34,266	1,338	-	-	35,604
Buildings and improvements	2,217,382	84,719	-	-	2,302,101
Equipment	2,427,076	186,005	(163,578)	-	2,449,503
	<u>4,678,724</u>	<u>272,062</u>	<u>(163,578)</u>	<u>-</u>	<u>4,787,208</u>
Capital assets, net	<u>\$ 2,790,240</u>	<u>\$ 1,009,172</u>	<u>\$ (10,760)</u>	<u>\$ -</u>	<u>\$ 3,788,652</u>

Lease assets activity for the year ended June 30, 2022 was:

	Beginning Balance (As Restated)	Additions	Disposals	Transfers	Ending Balance
Equipment	\$ 441,383	\$ 184,837	\$ -	\$ -	\$ 626,220
Less accumulated amortization	-	195,960	-	-	195,960
Lease assets, net	<u>\$ 441,383</u>	<u>\$ (11,123)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 430,260</u>

Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital
A Component Unit of the City of Lindsay, Oklahoma
Notes to Financial Statements
June 30, 2022

Note 6: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at June 30, 2022 consisted of:

Payable to suppliers and contractors	\$ 503,193
Payable to patients	65,090
Payable to employees (including salaries and payroll taxes)	216,358
Accrued vacation	347,721
Other	<u>42,667</u>
	<u><u>\$ 1,175,029</u></u>

Note 7: Lease Liabilities

The Authority leases equipment, the terms of which expire in various years through 2028. Variable payments of certain leases are based upon the Consumer Price Index (Index). The leases were measured based upon the Index at lease commencement. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance.

During the year ended June 30, 2022, the Authority recognized \$120,828 of rental expense for variable payments not previously included in the measurement of the lease liability.

The following is a summary of lease liability transactions for the Authority for the year ended June 30, 2022:

	Beginning Balance (As Restated)	Additions	Deductions	Ending Balance	Current Portion
Lease liabilities	<u>\$ 441,383</u>	<u>\$ 184,837</u>	<u>\$ (172,202)</u>	<u>\$ 454,018</u>	<u>\$ 185,041</u>

Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital
A Component Unit of the City of Lindsay, Oklahoma
Notes to Financial Statements
June 30, 2022

The following is a schedule by year of payments under the leases as of June 30, 2022:

Year Ending June 30,	Total to be Paid	Principal	Interest
2023	\$ 207,408	\$ 185,041	\$ 22,367
2024	139,730	126,157	13,573
2025	90,280	83,113	7,167
2026	52,371	49,995	2,376
2027	7,409	7,045	364
2028	2,730	2,667	63
	<u>\$ 499,928</u>	<u>\$ 454,018</u>	<u>\$ 45,910</u>

Note 8: Medical Malpractice Claims

The Authority purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a healthcare provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. At June 30, 2022, the Authority recorded no accrual based on its claims experience for these claims. It is reasonably possible that this estimate could change materially in the near term.

Note 9: Contracts with the Oklahoma Department of Corrections

During 2001, the Authority entered into three agreements with ODOC related to services to be provided by the Authority. Those agreements included the Contract for Inpatient Medical Services and the Outpatient Medical Services Contract. Each agreement was for an initial period of 10 years with two five-year renewal options. New agreements were signed by the Authority and ODOC effective September 1, 2011 for a period of 10 years with two five-year renewal options.

Under the Occupancy Agreement signed in 2001, the Authority granted ODOC exclusive rights to occupy 21 beds of the hospital and certain outpatient facilities for provision of medical services to prisoners of ODOC. The Occupancy Agreement signed in 2011 was expanded to 22 beds.

Effective September 1, 2017, ODOC and the Authority agreed to extend the Contract for Inpatient Medical Services and the Outpatient Medical Services Contract, including a continuation of the 8% administrative fee. There have been no further amendments to the contracts through the date the financial statements were issued.

Effective September 1, 2021, ODOC and the Authority agreed to renew the contracts under the same terms and conditions through August 31, 2026.

Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital
A Component Unit of the City of Lindsay, Oklahoma
Notes to Financial Statements
June 30, 2022

Note 10: Pension Plan

The Authority contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Authority's required contributions, determined in accordance with the terms of the plan. The plan is administered by the Board of Trustees. The plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Authority's governing body. Contribution rates for plan members and the Authority expressed as a percentage of covered payroll were 3.1% and 2.2% for 2022. Contributions actually made by plan members and the Authority were approximately \$271,000 and \$190,000 during 2022.

Note 11: Litigation

The Authority may be subject to claims and lawsuits that arise primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by the Authority's commercial insurance, for example, allegations regarding employment practices or performance of contracts. The Authority evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management that the disposition or ultimate resolution of any such claims and lawsuits will not have a material adverse effect on the basic financial statements of the Authority. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 12: COVID-19 Pandemic and Government Grant Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by healthcare facilities.

The extent of the COVID-19 pandemic's adverse impact on the Authority's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Authority's control and ability to forecast.

Because of these and other uncertainties, the Authority cannot estimate the length or severity of the impact of the pandemic on the Authority's business. Decreases in cash flows and results of operations may have an impact on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital
A Component Unit of the City of Lindsay, Oklahoma
Notes to Financial Statements
June 30, 2022

Provider Relief Fund

During the year ended June 30, 2022, the Authority received approximately \$121,000 of distributions from the Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment provided the Authority is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the U.S. Department of Health and Human Services (HHS).

The Authority is accounting for such payments as conditional contributions. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Authority's operating revenues and expenses through year-end, the Authority recognized \$120,646 during the year ended June 30, 2022 related to the Provider Relief Fund, and these payments are recorded as nonoperating revenue – noncapital grants and gifts in the accompanying statement of revenues, expenses, and changes in net position. For the year ended June 30, 2022, the remaining unrecognized amount of Phase 1 Provider Relief Fund distributions of approximately \$553,000 is recorded as unearned government grants in the accompanying balance sheet.

The Authority has recognized revenue from the Provider Relief Fund based on guidance issued by HHS as of June 30, 2022. The Authority will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Authority's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Authority is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the accompanying financial statements compared to the Authority's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Small Rural Hospital Improvement Program Grant

During the year ended June 30, 2022, the Authority received approximately \$255,000 under the Small Rural Hospital Improvement Program (SHIP) COVID-19 Testing and Mitigation Program. This distribution of SHIP funding is not subject to repayment provided the Authority is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses, as defined by the Health Resources & Services Administration (HRSA).

The Authority is accounting for such payments as conditional contributions. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the SHIP COVID-19 Testing and Mitigation Program, the Authority recognized \$72,639 during the year ended June 30, 2022 related to the SHIP grant, and these payments are recorded as

**Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital
A Component Unit of the City of Lindsay, Oklahoma
Notes to Financial Statements
June 30, 2022**

nonoperating revenue – noncapital grants and gifts in the accompanying statement of revenues, expenses, and changes in net position. For the year ended June 30, 2022, the remaining unrecognized amount of SHIP grant distributions of approximately \$182,000 is recorded as unearned government grants in the accompanying balance sheet.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital
Lindsay, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Lindsay Municipal Hospital Authority d/b/a Lindsay Municipal Hospital (the Authority), a component unit of the City of Lindsay, Oklahoma, which comprise the Authority's balance sheet as of June 30, 2022 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 30, 2023, which contained an "Emphasis of Matter" paragraph regarding a change in accounting principles and an "Other Matter" paragraph regarding the omission of required supplementary information.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Board of Trustees
Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS, LLP

Tulsa, Oklahoma
March 30, 2023

**Lindsay Municipal Hospital Authority
d/b/a Lindsay Municipal Hospital
A Component Unit of the City of Lindsay, Oklahoma
Schedule of Findings and Responses
Year Ended June 30, 2022**

Reference Number	Finding
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No matters are reportable.